



**Community Foundation**  
for Monterey County



Consolidated Financial Statements  
With Independent Auditors' Report

December 31, 2020 and 2019

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Community Foundation for Monterey County  
Monterey, California

We have audited the accompanying consolidated financial statements of Community Foundation for Monterey County (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Foundation for Monterey County as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Hutchinson and Bloodgood LLP*

April 27, 2021

# COMMUNITY FOUNDATION FOR MONTEREY COUNTY

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

	2020	2019
<b>ASSETS</b>		
Cash and cash equivalents	\$ 19,160,061	\$ 12,091,210
Contributions receivable	283,909	1,630,636
Prepaid expenses	7,345	43,159
Property and equipment, net	3,705,150	1,867,741
Investments	293,117,938	239,461,676
Programmatic loans receivable	1,750,000	1,750,000
Charitable gift annuities	4,380,833	4,130,967
Beneficial interest in remainder trusts administered by other trustees	889,929	844,404
Investments held in charitable remainder trusts	<u>24,364,029</u>	<u>29,181,461</u>
 Total assets	 <u><u>\$ 347,659,194</u></u>	 <u><u>\$ 291,001,254</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	\$ 187,443	\$ 122,349
Grants payable	1,498,437	1,019,371
Deferred revenue	--	19,880
Deposits	15,500	--
Refundable advance	411,402	--
Liabilities under charitable gift annuities	2,200,563	2,277,019
Liabilities under charitable remainder trusts	9,764,187	11,807,128
Liabilities under split-interest agreements	5,373,067	7,751,588
Funds held for others	<u>56,279,483</u>	<u>37,619,971</u>
 Total liabilities	 <u>75,730,082</u>	 <u>60,617,306</u>
<b>NET ASSETS</b>		
Without donor restrictions	71,806,093	55,720,383
With donor restrictions	<u>200,123,019</u>	<u>174,663,565</u>
 Total net assets	 <u>271,929,112</u>	 <u>230,383,948</u>
	<u><u>\$ 347,659,194</u></u>	<u><u>\$ 291,001,254</u></u>

## COMMUNITY FOUNDATION FOR MONTEREY COUNTY

### CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Support:			
Contributions	\$ 32,946,270	\$ 24,308,686	\$ 57,254,956
Amounts received on behalf of others	(3,097,846)	(15,254,781)	(18,352,627)
Total support	29,848,424	9,053,905	38,902,329
Revenue:			
Management fees, net of expenses	394,172	--	394,172
Miscellaneous income	62,789	--	62,789
Rental income	--	17,755	17,755
Net investment income	5,546,541	32,043,551	37,590,092
Net investment income allocated to funds held for others	--	(6,898,468)	(6,898,468)
Net assets released from restrictions	8,757,289	(8,757,289)	--
Total revenue	14,760,791	16,405,549	31,166,340
Total support and revenue	44,609,215	25,459,454	70,068,669
<b>EXPENSES</b>			
Program services:			
Grants awarded	27,933,827	--	27,933,827
Amounts distributed on behalf of others	(3,097,846)	--	(3,097,846)
Net grants awarded	24,835,981	--	24,835,981
Special programs	537,900	--	537,900
Grant making	748,936	--	748,936
Philanthropic services	334,561	--	334,561
Support services:			
Administration	1,461,411	--	1,461,411
Development	534,437	--	534,437
Fund management	70,279	--	70,279
Total program and support services	28,523,505	--	28,523,505
<b>Increase in net assets</b>	16,085,710	25,459,454	41,545,164
<b>Net Assets, beginning</b>	55,720,383	174,663,565	230,383,948
<b>Net Assets, ending</b>	\$ 71,806,093	\$ 200,123,019	\$ 271,929,112

The notes to financial statements are an integral part of this statement.

## COMMUNITY FOUNDATION FOR MONTEREY COUNTY

### CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Support:			
Contributions	\$ 19,495,557	\$ 10,342,582	\$ 29,838,139
Amounts received on behalf of others	(794,025)	(6,308,005)	(7,102,030)
Total support	<u>18,701,532</u>	<u>4,034,577</u>	<u>22,736,109</u>
Revenue:			
Management fees, net of expenses	337,756	--	337,756
Miscellaneous income	148,886	--	148,886
Net investment income	5,782,207	31,205,412	36,987,619
Loss on sale of property	--	(1,359,401)	(1,359,401)
Net investment income allocated to funds held for others	--	(4,970,899)	(4,970,899)
Net assets released from restrictions	8,511,186	(8,511,186)	--
Total revenue	<u>14,780,035</u>	<u>16,363,926</u>	<u>31,143,961</u>
Total support and revenue	<u>33,481,567</u>	<u>20,398,503</u>	<u>53,880,070</u>
<b>EXPENSES</b>			
Program services:			
Grants awarded	19,224,956	--	19,224,956
Amounts distributed on behalf of others	(794,025)	--	(794,025)
Net grants awarded	18,430,931	--	18,430,931
Special programs	577,152	--	577,152
Grant making	662,655	--	662,655
Philanthropic services	345,989	--	345,989
Support services:			
Administration	1,350,817	--	1,350,817
Development	420,827	--	420,827
Fund management	79,009	--	79,009
Total program and support services	<u>21,867,380</u>	<u>--</u>	<u>21,867,380</u>
<b>Increase in net assets</b>	11,614,187	20,398,503	32,012,690
<b>Net Assets, beginning</b>	<u>44,106,196</u>	<u>154,265,062</u>	<u>198,371,258</u>
<b>Net Assets, ending</b>	<u>\$ 55,720,383</u>	<u>\$ 174,663,565</u>	<u>\$ 230,383,948</u>

The notes to financial statements are an integral part of this statement.

**COMMUNITY FOUNDATION FOR MONTEREY COUNTY**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2020

	Program Services					Support Services				Total
	Grants	Special	Grant	Philanthropic	Total Program	Administration	Development	Fund	Total Support	
	Awarded	Programs	Making	Services	Services			Management	Services	
<b>EXPENSES</b>										
Grants awarded	\$ 27,933,827	\$ --	\$ --	\$ --	\$ 27,933,827	\$ --	\$ --	\$ --	\$ --	\$ 27,933,827
Amounts distributed on behalf of others	(3,097,846)	--	--	--	(3,097,846)	--	--	--	--	(3,097,846)
Net allocations	24,835,981	--	--	--	24,835,981	--	--	--	--	24,835,981
Advertising and promotion	--	1,909	14,016	6,556	22,481	27,164	7,180	1,230	35,574	58,055
Bank charges	--	56,898	4,178	1,954	63,030	8,098	2,140	367	10,605	73,635
Depreciation	--	2,365	17,459	8,166	27,990	33,836	8,943	1,532	44,311	72,301
Donor development	--	107,154	22,560	10,552	140,266	46,209	42,138	1,979	90,326	230,592
Dues/library	--	1,703	7,403	3,463	12,569	14,346	3,792	650	18,788	31,357
Grant related expense	--	--	1,624	--	1,624	--	--	--	--	1,624
Insurance	--	575	4,246	1,986	6,807	8,230	2,175	373	10,778	17,585
Office supplies	--	849	6,264	2,930	10,043	12,140	3,209	550	15,899	25,942
Other fund management expense	--	5,963	44,016	20,588	70,567	85,307	22,548	3,862	111,717	182,284
Payroll taxes and benefits	--	54,344	114,179	50,175	218,698	207,323	71,989	11,033	290,345	509,043
Printing and postage	--	1,618	11,946	5,588	19,152	23,153	6,119	1,048	30,320	49,472
Professional development	--	531	2,555	1,195	4,281	4,952	1,309	224	6,485	10,766
Professional fees	--	108,505	9,190	4,298	121,993	93,171	63,123	806	157,100	279,093
Property taxes	--	54	397	186	637	770	203	35	1,008	1,645
Rent	--	1,649	12,172	5,693	19,514	23,590	6,235	1,068	30,893	50,407
Repairs and maintenance	--	5,155	38,050	17,798	61,003	73,742	19,491	3,339	96,572	157,575
Salaries and wages	--	185,330	415,491	182,586	783,407	754,436	261,963	40,148	1,056,547	1,839,954
Staff expense	--	446	2,137	1,000	3,583	4,142	1,095	188	5,425	9,008
Telephone	--	1,057	7,804	3,650	12,511	15,125	3,998	685	19,808	32,319
Utilities	--	1,795	13,249	6,197	21,241	25,677	6,787	1,162	33,626	54,867
	<u>\$ 24,835,981</u>	<u>\$ 537,900</u>	<u>\$ 748,936</u>	<u>\$ 334,561</u>	<u>\$ 26,457,378</u>	<u>\$ 1,461,411</u>	<u>\$ 534,437</u>	<u>\$ 70,279</u>	<u>\$ 2,066,127</u>	<u>\$ 28,523,505</u>

The notes to financial statements are an integral part of this statement.



**COMMUNITY FOUNDATION FOR MONTEREY COUNTY**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2019

EXPENSES	Program Services					Support Services				Total
	Grants	Special	Grant	Philanthropic	Total Program	Administration	Development	Fund	Total Support	
	Awarded	Programs	Making	Services	Services			Management	Services	
Grants awarded	\$ 19,224,956	\$ --	\$ --	\$ --	\$ 19,224,956	\$ --	\$ --	\$ --	\$ --	\$ 19,224,956
Amounts distributed on behalf of others	(794,025)	--	--	--	(794,025)	--	--	--	--	(794,025)
Net allocations	18,430,931	--	--	--	18,430,931	--	--	--	--	18,430,931
Advertising and promotion	--	2,175	10,612	4,964	17,751	20,567	5,436	931	26,934	44,685
Bank charges	--	34,734	4,607	2,155	41,496	8,930	2,360	404	11,694	53,190
Depreciation	--	2,130	15,723	7,354	25,207	30,471	8,054	1,380	39,905	65,112
Donor development	--	66,967	36,353	16,180	119,500	67,349	17,720	3,036	88,105	207,605
Dues/library	--	2,219	7,171	3,354	12,744	13,899	3,673	629	18,201	30,945
Grant related expense	--	--	1,760	--	1,760	--	--	--	--	1,760
Insurance	--	475	3,500	1,637	5,612	6,783	1,794	308	8,885	14,497
Office supplies	--	858	6,330	2,961	10,149	12,269	3,243	555	16,067	26,216
Other fund management expense	--	1,222	44,739	12,157	58,118	37,326	4,621	16,666	58,613	116,731
Payroll taxes and benefits	--	69,249	95,256	46,083	210,588	192,961	67,278	10,171	270,410	480,998
Printing and postage	--	5,595	9,304	4,352	19,251	18,030	4,766	817	23,613	42,864
Professional development	--	2,759	8,295	3,880	14,934	16,076	4,249	728	21,053	35,987
Professional fees	--	161,453	9,649	43,860	214,962	102,314	20,460	847	123,621	338,583
Property taxes	--	55	403	188	646	782	206	35	1,023	1,669
Rent	--	1,601	11,817	5,527	18,945	22,903	6,053	1,037	29,993	48,938
Repairs and maintenance	--	3,999	29,509	13,803	47,311	57,190	15,118	2,589	74,897	122,208
Salaries and wages	--	217,950	347,761	168,241	733,952	704,471	245,620	37,133	987,224	1,721,176
Staff expense	--	1,500	3,546	1,659	6,705	6,869	1,816	311	8,996	15,701
Telephone	--	524	3,867	1,809	6,200	7,495	1,981	339	9,815	16,015
Utilities	--	1,687	12,453	5,825	19,965	24,132	6,379	1,093	31,604	51,569
	<u>\$ 18,430,931</u>	<u>\$ 577,152</u>	<u>\$ 662,655</u>	<u>\$ 345,989</u>	<u>\$ 20,016,727</u>	<u>\$ 1,350,817</u>	<u>\$ 420,827</u>	<u>\$ 79,009</u>	<u>\$ 1,850,653</u>	<u>\$ 21,867,380</u>

The notes to financial statements are an integral part of this statement.

## COMMUNITY FOUNDATION FOR MONTEREY COUNTY

### CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2020 and 2019

	2020	2019
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 41,545,164	\$ 32,012,690
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	72,301	65,112
Net realized and unrealized gains on investments	(26,419,066)	(25,196,766)
Loss from sale of property	--	1,359,401
Contributions of stock	(16,878,499)	(5,536,730)
Contributions of property held for sale	(1,837,500)	--
Contributions restricted for endowments	(7,178,327)	(1,173,913)
Contributions to charitable remainder trusts	(15,248)	(1,620,743)
Contributions to charitable gift annuities	(22,829)	(111,318)
Terminations of beneficial interest in remainder trusts	--	2,657,633
Terminations of charitable remainder trusts	4,263,288	3,523,113
Terminations of charitable gift annuities	19,021	--
Change in value of split interest agreements	(4,220,109)	(4,760,309)
(Increase) decrease in:		
Contributions receivable, net	1,346,727	725,427
Prepaid expenses	35,814	(14,119)
Increase (decrease) in:		
Accounts payable and accrued expenses	65,094	271
Grants payable	479,066	(588,951)
Deferred revenue	(19,880)	5,190
Deposits	15,500	--
Funds held for others	18,659,512	10,151,494
Net cash provided by operating activities	<u>9,910,029</u>	<u>11,497,482</u>

## COMMUNITY FOUNDATION FOR MONTEREY COUNTY

### CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2020 and 2019

	2020	2019
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash paid to purchase property and equipment	(72,210)	(137,494)
Cash paid to purchase investments	(28,145,340)	(20,634,862)
Cash received from sale of property	--	19,989,487
Cash received from sale of investments	11,784,496	271,354
Change in balance of cash and money market funds held for long-term investment purposes	6,002,147	(11,630,598)
Investment in programmatic loans	--	(1,750,000)
Net cash used by investing activities	<u>(10,430,907)</u>	<u>(13,892,113)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions restricted for endowments	7,178,327	1,173,913
Proceeds from refundable advance	411,402	--
Net cash provided by financing activities	<u>7,589,729</u>	<u>1,173,913</u>
Net increase (decrease) in cash and cash equivalents	7,068,851	(1,220,718)
<b>Cash and Cash Equivalents, beginning</b>	<u>12,091,210</u>	<u>13,311,928</u>
<b>Cash and Cash Equivalents, ending</b>	<u>\$ 19,160,061</u>	<u>\$ 12,091,210</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Noncash transactions:		
Acquisition of property and equipment	\$ 1,909,710	\$ 137,494
Contributed property held for sale	(1,837,500)	--
Cash paid for property and equipment	<u>\$ 72,210</u>	<u>\$ 137,494</u>

## COMMUNITY FOUNDATION FOR MONTEREY COUNTY

Notes to Consolidated Financial Statements  
December 31, 2020 and 2019

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### NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Community Foundation for Monterey County (the Foundation) is a California nonprofit organization that administers 594 funds for philanthropic purposes. The Foundation was organized to receive gifts and bequests from individuals, foundations, private and public corporations and to make grants to projects benefiting Monterey County.

**Basis of accounting and presentation:** The consolidated financial statements have been prepared on the accrual basis of accounting, under which revenues are recognized when they are earned and expenses are recognized when the related liability is incurred.

**Description of net assets:** The Foundation reports information regarding its financial position and activities according to the following net asset classifications:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Foundation's management and the board of directors.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

**Use of estimates:** Preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of any contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Principles of consolidation:** These financial statements consolidate the statements of Community Foundation for Monterey County Real Estate #1 LLC, which is wholly-owned by the Foundation. All significant intercompany accounts and transactions have been eliminated in consolidation.

**Cash and cash equivalents:** Cash and cash equivalents include all cash balances and highly liquid investments with original maturities of three months or less at acquisition which are not managed as part of long-term investment strategies and are not legally restricted. As of December 31, 2020 and 2019, the Foundation held \$7,345,834 and \$5,024,644, respectively, in cash that is designated primarily for use toward the Monterey County Gives Campaign grant program.

## COMMUNITY FOUNDATION FOR MONTEREY COUNTY

Notes to Consolidated Financial Statements  
December 31, 2020 and 2019

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### NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Cash and cash equivalents (continued):** Concentrations of market risks exist for cash and cash equivalents. Cash and cash equivalents are held in major financial institutions and in the regular course of business, the Foundation may maintain operating cash balances at a bank in excess of federally insured limits. The Foundation believes it mitigates the risk of concentration by depositing at major financial institutions. The Foundation has not experienced any losses in such accounts.

**Contributions receivable:** Promises to give and bequests that are expected to be collected within one year are recorded at net realizable value. Promises to give that are expected to be collected in future years are discounted using a rate commensurate with the market risks involved applicable to the years in which the promises were received. As of December 31, 2020 and 2019, all contributions receivable are scheduled to be collected within one year and are recorded at net realizable value. Amortization of these discounts is included in contributions revenue in the accompanying statements of activities. No amounts have been recorded for uncollectible contributions, as management believes all amounts to be collectible.

**Real estate held for sale:** Real estate that has been contributed by a donor is recorded at its fair value at the contribution date based on an independent valuation. Due to the inherent uncertainties of the real estate valuation, the appraised values reflected in the accompanying consolidated financial statements may differ significantly from values that would be determined by negotiations between parties in sales transactions, resulting in differences that could be material.

**Property and equipment:** Property and equipment purchased are recorded at cost and donated property and equipment are recorded at estimated fair value on the date contributed to the Foundation. The cost of property and equipment purchased in excess of \$1,000 is capitalized. Maintenance and repairs which do not extend the useful life of the respective assets are expensed as incurred. Depreciation is provided on the straight line method over the estimated useful lives of the assets of five to thirty-nine years.

Assets donated with explicit restrictions regarding their use and contributions of cash that are restricted to property and equipment purchases are reported as restricted support. Absent donor stipulations regarding how long those donated assets are to be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in their specified service, at which time the net assets with donor restrictions are reclassified as net assets without donor restrictions.

**Investments:** Alternative investments are carried at fair value based on net asset value per share as a practical expedient. All fixed income and equity securities with readily determinable fair values are carried at fair value based on quoted market prices. Gains and losses that result from market fluctuations are recognized in the period such fluctuations occur. Realized gains or losses resulting from sales or maturities are calculated on a cost basis. Dividend and interest income are accrued when earned.

## COMMUNITY FOUNDATION FOR MONTEREY COUNTY

Notes to Consolidated Financial Statements  
December 31, 2020 and 2019

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### NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Investments (continued):** To address market risk of investments, the Foundation maintains a formal investment policy that sets out performance criteria and investment guidelines. The Foundation has custody agreements with selected banks which process disbursements at the direction of authorized staff.

**Charitable gift annuities:** Charitable gift annuities require periodic payment of a fixed sum to designated beneficiaries and are terminated upon the death of the designated beneficiaries. Upon termination, the remaining assets of the annuity are then available for use by the Foundation in accordance with the donors' intent. The Foundation recognizes assets and donor restricted contribution revenue for its charitable gift annuities at the date the agreements are established, net of the liability recorded for the present value of the estimated future payments to be made to the donors and other beneficiaries based upon their life expectancies using IRS mortality tables and the appropriate discount rates. The carrying value of the assets is adjusted to fair value at the end of the year. Subsequent changes to the fair value of the assets and liabilities are reflected in the consolidated statements of activities and changes in net assets as a change in value of split-interest agreements.

**Beneficial interest in remainder trusts administered by other trustees:** The Foundation is a remainder beneficiary in various trusts administered by other trustees. A receivable is recorded at the present value of the amount held by the trustee that is due to the Foundation, which is calculated using the life expectancy of the income beneficiaries. The Foundation uses a discount rate commensurate with the risks involved to discount the contribution receivable. Valuations are reviewed annually by management by updating life expectancy of the income beneficiary, discount rates and the fair value of the underlying investments. The discount rates used for the years ended December 31, 2020 and 2019 were 0.6% and 2.0%, respectively. Subsequent changes to the fair value of the assets and liabilities are reflected in the consolidated statements of activities and changes in net assets as a change in value of split-interest agreements.

**Charitable remainder trusts:** The Foundation has been designated as the trustee for several irrevocable charitable remainder trusts. The trust agreements generally require the Foundation to make annual payments to the trust beneficiaries based on stipulated payment rates ranging from 5% to 10%, applied to the fair value of the trust assets, as determined annually. Upon the death of the beneficiaries, or other termination of the trusts as may be defined in the individual agreements, the remaining trust assets will be distributed by the Foundation to itself and to other beneficiaries, as stipulated in the trust agreements.

The Foundation records the assets held in these trusts at their fair value based on quoted market values. A corresponding liability, liabilities under charitable remainder trusts, has been recorded to reflect the present value of required lifetime payments and remaining obligation to the named beneficiaries using discount rates commensurate with the risks involved, which were in existence at the date of gift, ranging from 1.6% to 8.2% for the year ended December 31, 2020 and 1.4% to 8.2% for the year ended December 31, 2019. Valuations are calculated annually by management by updating life expectancy of the income beneficiaries and investment values.

## COMMUNITY FOUNDATION FOR MONTEREY COUNTY

Notes to Consolidated Financial Statements  
December 31, 2020 and 2019

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### NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Charitable remainder trusts (continued):** Liabilities under split-interest agreements represent the present value of the investments held in charitable remainder trusts owed to outside remainder beneficiaries at the settlement of the trust. These liabilities are calculated as a percentage of the present value of the investments held in charitable remainder trusts.

The difference between the fair value of the assets received and liabilities under charitable remainder trusts and under split-interest agreements is recognized as contribution revenue in the year the agreement is signed. Realized and unrealized gains and losses, interest and dividend income from the investments and changes in actuarial assumptions and accretions of the liabilities are recorded as changes to split-interest agreements in the accompanying consolidated statements of financial position.

**Funds held for others:** The Foundation accepts funds from unrelated nonprofit organizations which desire to have the Foundation provide efficient investment management, programmatic expertise and technical assistance. A liability is recorded at the readily determinable estimated fair value of assets deposited with the Foundation by nonprofit organizations. The Foundation refers to such funds as restricted purpose, designated and stewardship funds. In addition, related amounts received or distributed, investment income or loss and expenses are presented separately on the accompanying consolidated statement of activities. Restricted purpose and designated funds provide a permanent stream of operating income for agencies that donors wish to support over time. Stewardship funds are similar to restricted purpose and designated funds; however, the agency has the option of withdrawing a portion of its fund's principal at any time upon written request by the Board of Directors of the nonprofit agency and evidence of a board vote authorizing the distribution.

**Financial instruments:** Financial instruments included in the Foundation's consolidated statements of financial position include cash and cash equivalents, contributions receivable, prepaid expenses, investments, programmatic loans receivable, charitable gift annuities, beneficial interest in remainder trusts administered by other trustees, investments held in charitable remainder trusts, accounts payable and accrued expenses, grants payable, deferred revenue, liabilities under charitable gift annuities, liabilities under charitable remainder trusts, liabilities under split-interest agreements and funds held for others.

For cash and cash equivalents, contributions receivable, prepaid expenses, programmatic loans receivable, accounts payable and accrued expenses, grants payable, deferred revenue and funds held for others, the carrying value approximates fair value.

Investments, charitable gift annuities, beneficial interest in remainder trusts administered by other trustees, investments held in charitable remainder trusts, liabilities under charitable gift annuities, liabilities under charitable remainder trusts and liabilities under split-interest agreements are reflected in the accompanying consolidated statements of financial position at their estimated fair values using methodologies described below.

## COMMUNITY FOUNDATION FOR MONTEREY COUNTY

Notes to Consolidated Financial Statements  
December 31, 2020 and 2019

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### NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Fair value measurements:** Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining fair value, the Foundation considers the principal or most advantageous market in which it would transact, and considers assumptions that market participants would use when pricing the asset or liability.

The three-level hierarchy for fair value measurements is defined as follows:

**Level 1:** Valuation is based on observable inputs using quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

**Level 2:** Valuation is based on inputs from sources other than quoted prices in active markets that are either directly or indirectly observable as of the reporting date. This may include quoted prices for similar assets in an active market, quoted prices for similar assets in a market that is not active or valuation methods using models, interest rates and yield curves as observable inputs.

**Level 3:** Valuation is based on unobservable inputs for the assets, reflecting the Foundation's consideration about the assumptions that a market participant would use in pricing the asset or liability, to the extent that observable inputs (Levels 1 and 2) are not available. Level 3 assets and liabilities include situations where there is little or no market activity for the asset or liabilities, and significant management judgment or estimates are required.

Investments are classified as Level 1, Level 2 or Level 3, depending on the nature of the composition. Beneficial interest in remainder trusts administered by other trustees, liabilities under charitable gift annuities, liabilities under charitable remainder trusts and liabilities under split-interest agreements are measured on a recurring basis and are classified as Level 3 since observable inputs are minimal.

While the Foundation believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at reporting date. Those estimated values may differ significantly from the values that would have been used had a readily available market for such assets and liabilities existed, or had such assets and liabilities been liquidated, and these differences could be material to the consolidated financial statements.

**Major contributions:** During 2020, two donors contributed an amount representing 29% of total 2020 contribution revenue. During 2019, one donor contributed an amount representing 14% of total 2019 contribution revenue.

**Revenue recognition:** Contributions received are recognized as revenue when received or unconditionally promised. Contributions of assets other than cash are recorded at their estimated fair values. Contributions of public stock are recorded at the high-low average of the quoted price on the date of donation.



## COMMUNITY FOUNDATION FOR MONTEREY COUNTY

Notes to Consolidated Financial Statements  
December 31, 2020 and 2019

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### NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Functional expense allocation:** Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. Operating expenses are allocated based on a time study, with contract services, legal and other fund management expenses allocated to the specific function related to the expense.

**Grants expense:** Grant expenditures are recognized in the period the grant is approved provided the grant is not subject to significant future conditions. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee meets the terms of the conditions. Grants are returned to the Foundation if certain conditions are not met. Returned grants are included in miscellaneous income in the accompanying consolidated statements of activities.

**Income tax status:** The Foundation is a tax-exempt not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Act, and is classified as other than a private foundation.

The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

**Upcoming accounting pronouncement:** In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Foundation is currently evaluating the impact of the pending adoption of the new standard on its financial statements.

## COMMUNITY FOUNDATION FOR MONTEREY COUNTY

Notes to Consolidated Financial Statements  
December 31, 2020 and 2019

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### NOTE 2. AVAILABILITY AND LIQUIDITY

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the availability of funding for grants from these endowments is based on the annual spending policy. In addition, the Foundation receives support without donor restrictions; in 2020 and 2019 such support was represented by approximately 77% and 93%, respectively, of non-endowed grants and contributions to fund operating needs, with the remainder funded by investment income without donor restrictions and management fees.

The Foundation considers investment income without donor restrictions, appropriated earnings from donor-restricted endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, development and fund management expenses, and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long term grant commitments and obligations under endowments with donor restrictions and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The Foundation strives to maintain financial assets available to meet general expenditures at a level that represents 100% of annual expenses for administrative, general, and development expenses, plus an amount that represents the next expected payment for grant commitments.

## COMMUNITY FOUNDATION FOR MONTEREY COUNTY

Notes to Consolidated Financial Statements  
December 31, 2020 and 2019

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### NOTE 2. AVAILABILITY AND LIQUIDITY (Continued)

The table below presents financial assets available for general expenditures within one year at December 31:

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 19,160,061	\$ 12,091,210
Contributions receivable	283,909	1,630,636
Investments	293,117,938	239,461,676
Programmatic loans receivable	1,750,000	1,750,000
Charitable gift annuities	4,380,833	4,130,967
Investments held in charitable remainder trusts	<u>24,364,029</u>	<u>29,181,461</u>
 Total financial assets	 <u>343,056,770</u>	 <u>288,245,950</u>
 Less amounts not available to be used within one year:		
Investments in non-liquid securities	9,287,312	17,694,281
Investments held in charitable gift annuities	4,380,833	4,130,967
Investments held in charitable remainder trusts	24,364,029	29,181,461
Contributions receivable - due after one year, net	--	281,365
Programmatic loans receivable - due after one year	1,750,000	1,750,000
Portion of donor-restricted endowment to be retained in perpetuity	<u>150,493,741</u>	<u>138,366,406</u>
 Financial assets not available to be used within one year	 <u>190,275,915</u>	 <u>191,404,480</u>
 Financial assets available to meet general expenditures within one year	 <u>\$ 152,780,855</u>	 <u>\$ 96,841,470</u>

### NOTE 3. CONTRIBUTIONS RECEIVABLE

Contributions receivable consists of the following at December 31:

	<u>2020</u>	<u>2019</u>
Bequests receivable	\$ --	\$ 264,615
Other contributions and pledges receivable	<u>283,909</u>	<u>1,366,021</u>
	<u>\$ 283,909</u>	<u>\$ 1,630,636</u>

## COMMUNITY FOUNDATION FOR MONTEREY COUNTY

Notes to Consolidated Financial Statements  
December 31, 2020 and 2019

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### NOTE 4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following at December 31:

	<u>2020</u>	<u>2019</u>
Land	\$ 461,627	\$ 461,627
Building	1,083,488	1,083,488
Building and leasehold improvements	775,841	724,866
Furniture and equipment	<u>287,323</u>	<u>266,088</u>
	2,608,279	2,536,069
Less accumulated depreciation	<u>(740,629)</u>	<u>(668,328)</u>
	1,867,650	1,867,741
Property held for sale	<u>1,837,500</u>	<u>--</u>
	<u>\$ 3,705,150</u>	<u>\$ 1,867,741</u>

Depreciation expense totaled \$72,301 and \$65,112 for the years ended December 31, 2020 and 2019, respectively.

### NOTE 5. INVESTMENTS AND FAIR VALUE DISCLOSURES

The following table presents the fair value measurements of investments on the accompanying consolidated statements of financial position at December 31, by fair value hierarchy:

<u>2020</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual Funds	\$ 184,867,766	\$ 184,867,766	\$ --	\$ --
Fixed income securities	81,536,159	81,536,159	--	--
Alternative investments	8,540,595	8,540,595	--	--
Cash and money market funds	<u>8,886,106</u>	<u>8,886,106</u>	--	--
Total recurring fair value measurements	283,830,626	<u>\$ 283,830,626</u>	<u>\$ --</u>	<u>\$ --</u>
Alternative investments measured at net asset value	<u>9,287,312</u>			
Total investments	<u>\$ 293,117,938</u>			

## COMMUNITY FOUNDATION FOR MONTEREY COUNTY

Notes to Consolidated Financial Statements  
December 31, 2020 and 2019

### NOTE 5. INVESTMENTS AND FAIR VALUE DISCLOSURES (Continued)

<u>2019</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual Funds	\$ 138,218,031	\$ 138,218,031	\$ --	\$ --
Fixed income securities	67,209,314	67,209,314	--	--
Alternative investments	6,011,752	6,011,752	--	--
Cash and money market funds	<u>9,895,616</u>	<u>9,895,616</u>	--	--
Total recurring fair value measurements	221,334,713	<u>\$ 221,334,713</u>	<u>\$ --</u>	<u>\$ --</u>
Alternative investments measured at net asset value	<u>18,126,963</u>			
Total investments	<u>\$ 239,461,676</u>			

Investments include certain reserved balances required to be kept in separate investment accounts or to be used for specific purposes as designated by donors.

**Alternative investments measured at net asset value:** The Foundation held an investment in a commodity fund. The TAP CommodityBuilder Fund, L.L.C. (TAP), was stated at fair value, as estimated in a privately traded market. The fair value of the Foundation's interest, or units, in TAP were determined based upon the most recent net asset value information provided by TAP. During the year ended December 31, 2020, the Foundation disposed of its interest in TAP and the proceeds were allocated proportionately to investments within the long-term fund.

The Foundation holds an investment in a core real estate fund. The ASB Allegiance Real Estate Fund (ASB), is stated at fair value as estimated in a privately traded market. The fair value of the Foundation's interest, or units, in ASB is determined based upon the most recent net asset value information provided by ASB. ASB is a real estate private equity investment vehicle that invests in office, multifamily, retail and industrial properties in major urban markets in the United States. ASB's real estate investment values are estimated based on appraisals prepared externally by independent real estate appraisers, as well as income, cost, and sales comparisons. While this investment may create indirect exposure to the Foundation, the Foundation's risk is limited to its capital balance in its investment. The sale, exchange, assign, transfer, convey, pledge, grant a security interest in or otherwise dispose of any or all of the Foundation's interest in ASB requires written consent at the sole discretion of the Member Manager.

## COMMUNITY FOUNDATION FOR MONTEREY COUNTY

Notes to Consolidated Financial Statements  
December 31, 2020 and 2019

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### NOTE 5. INVESTMENTS AND FAIR VALUE DISCLOSURES (Continued)

**Net investment income:** Net investment income consists of the following at December 31:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 7,170,447	\$ 7,287,024
Realized losses, net	(5,524,206)	(14,851)
Unrealized gains, net	31,943,272	25,211,617
Change in value of split-interest agreements	<u>4,220,109</u>	<u>4,760,309</u>
Net investment income before external investment fees	37,809,622	37,244,099
External investment fees	<u>(219,530)</u>	<u>(256,480)</u>
Net investment income	<u>\$ 37,590,092</u>	<u>\$ 36,987,619</u>

### NOTE 6. CHARITABLE GIFT ANNUITIES AND FAIR VALUE DISCLOSURES

The following table presents the fair value measurements of charitable gift annuities on the accompanying consolidated statements of financial position at December 31, by fair value hierarchy:

<u>2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments held in charitable gift annuities	<u>\$ 4,380,833</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 4,380,833</u>
Liabilities under charitable gift annuities	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 2,200,563</u>	<u>\$ 2,200,563</u>
<u>2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments held in charitable gift annuities	<u>\$ 4,130,967</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 4,130,967</u>
Liabilities under charitable gift annuities	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 2,277,019</u>	<u>\$ 2,277,019</u>

## COMMUNITY FOUNDATION FOR MONTEREY COUNTY

Notes to Consolidated Financial Statements  
December 31, 2020 and 2019

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### NOTE 6. CHARITABLE GIFT ANNUITIES AND FAIR VALUE DISCLOSURES (Continued)

The following table provides a roll forward of the liabilities listed above measured at fair value using significant unobservable inputs (Level 3) during the periods ended December 31:

Liabilities under charitable gift annuities	2020	2019
Beginning balance	\$ 2,277,019	\$ 2,190,393
Additions	37,171	164,032
Terminations	(7,260)	--
Payments to income beneficiaries	(190,513)	(181,922)
Increase in value of liabilities under charitable gift annuities	84,146	104,516
Ending balance	\$ 2,200,563	\$ 2,277,019

### NOTE 7. BENEFICIAL INTEREST IN REMAINDER TRUSTS ADMINISTERED BY OTHER TRUSTEES AND FAIR VALUE DISCLOSURES

The following table presents the fair value measurements of beneficial interest in remainder trusts administered by other trustees on the accompanying consolidated statements of financial position at December 31, by fair value hierarchy:

	2020 (Level 3)	2019 (Level 3)
Beneficial interest in remainder trusts administered by other trustees	\$ 889,929	\$ 844,404

The following table provides a roll forward of the assets listed above measured at fair value using significant unobservable inputs (Level 3) during the periods ended December 31:

	2020	2019
Beginning balance	\$ 844,404	\$ 2,770,159
Termination	--	(2,657,633)
Increase due to change in market values and actuarial life expectancy	45,525	731,878
Ending balance	\$ 889,929	\$ 844,404

## COMMUNITY FOUNDATION FOR MONTEREY COUNTY

Notes to Consolidated Financial Statements  
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### NOTE 8. CHARITABLE REMAINDER TRUSTS AND FAIR VALUE DISCLOSURES

Investments held in charitable remainder trusts consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Marketable securities - equities	\$ 15,008,265	\$ 18,588,327
Marketable securities - debt	8,372,532	8,204,254
Money market funds and cash	983,232	653,880
Property	--	1,735,000
	<u>\$ 24,364,029</u>	<u>\$ 29,181,461</u>

The following tables present the fair value of investments held in charitable remainder trusts on the accompanying consolidated statements of financial position at December 31, by fair value hierarchy.

<u>2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments held in charitable remainder trusts	<u>\$ 24,364,029</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 24,364,029</u>
Liabilities under charitable remainder trusts	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 9,764,187</u>	<u>\$ 9,764,187</u>
Liabilities under split-interest agreements	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 5,373,067</u>	<u>\$ 5,373,067</u>
<u>2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments held in charitable remainder trusts	<u>\$ 29,181,461</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 29,181,461</u>
Liabilities under charitable remainder trusts	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 11,807,128</u>	<u>\$ 11,807,128</u>
Liabilities under split-interest agreements	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 7,751,588</u>	<u>\$ 7,751,588</u>



## COMMUNITY FOUNDATION FOR MONTEREY COUNTY

Notes to Consolidated Financial Statements  
December 31, 2020 and 2019

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### NOTE 8. CHARITABLE REMAINDER TRUSTS AND FAIR VALUE DISCLOSURES (Continued)

The following tables provide a roll forward of the liabilities listed above measured at fair value using significant unobservable inputs (Level 3) during the periods ended December 31:

<u>Liabilities under charitable remainder trusts</u>	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 11,807,128	\$ 10,971,695
Contribution to trust at present value	59,547	2,432,949
Termination of trust	(1,375,709)	(2,020,385)
Increase (decrease) in value due to change in market value and actuarial value of assets	<u>(726,779)</u>	<u>422,869</u>
Ending balance	<u>\$ 9,764,187</u>	<u>\$ 11,807,128</u>

<u>Liabilities under split-interest agreements</u>	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 7,751,588	\$ 6,955,452
Additions	45,747	661,983
Termination of trust	(2,415,588)	(1,000,000)
Increase (decrease) due to change in value of liabilities under charitable remainder trusts	<u>(8,680)</u>	<u>1,134,153</u>
Ending balance	<u>\$ 5,373,067</u>	<u>\$ 7,751,588</u>

### NOTE 9. GRANTS PAYABLE

As of December 31, 2020, the balance included in grants payable is expected to be paid as follows:

2021	\$ 1,059,604
2022	337,833
2023	91,000
2024	<u>10,000</u>
	<u>\$ 1,498,437</u>

## COMMUNITY FOUNDATION FOR MONTEREY COUNTY

Notes to Consolidated Financial Statements  
December 31, 2020 and 2019

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### NOTE 10. FUNDS HELD FOR OTHERS

At December 31, 2020 and 2019, the Foundation held 133 and 123 nonprofit funds for others, respectively, with balances as follows:

	<u>2020</u>	<u>2019</u>
Stewardship funds	\$ 48,980,877	\$ 31,099,027
Agency designated funds	<u>7,298,606</u>	<u>6,520,944</u>
	<u>\$ 56,279,483</u>	<u>\$ 37,619,971</u>

The following table summarizes the activity in these funds for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 37,619,971	\$ 27,468,477
Amounts raised in contributions or transferred in	15,254,781	6,308,005
Dividend and interest income	1,363,928	1,104,364
Net realized and unrealized gains	5,534,540	3,866,535
Fees	(395,891)	(333,385)
Grants	<u>(3,097,846)</u>	<u>(794,025)</u>
Ending balance	<u>\$ 56,279,483</u>	<u>\$ 37,619,971</u>

### NOTE 11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions, as of December 31, consist of the following:

	<u>2020</u>	<u>2019</u>
Endowment funds	\$ 187,812,660	\$ 161,596,558
Investments held in charitable remainder trusts	24,364,029	29,181,461
Charitable gift annuities	4,380,833	4,130,967
Bequests receivable and future pledges	13,385	745,910
Beneficial interest in remainder trusts administered by other trustees	889,929	844,404
Liabilities under charitable gift annuities	(2,200,563)	(2,277,019)
Liabilities under charitable remainder trusts	(9,764,187)	(11,807,128)
Liabilities under split-interest agreements	<u>(5,373,067)</u>	<u>(7,751,588)</u>
Ending balance	<u>\$ 200,123,019</u>	<u>\$ 174,663,565</u>

## COMMUNITY FOUNDATION FOR MONTEREY COUNTY

Notes to Consolidated Financial Statements  
December 31, 2020 and 2019

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### NOTE 12. ENDOWMENT DISCLOSURES

As of December 31, 2020 and 2019, the Foundation's endowment funds are comprised of 280 and 268 individual funds, respectively, established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of relevant law:** The Board of Directors of the Foundation has interpreted the Uniform Prudent Management and Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

**Endowment investment policy:** The Foundation has adopted investment and spending policies for endowment assets that attempt to achieve a growth in principal that will support a rise in charitable distributions that keep pace with inflation, avoid a high degree of risk and ensure endowment funds will operate in perpetuity. Endowment assets include those assets that the Foundation must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that attempts to achieve an average annual total return equal to or greater than the policy index. The investments are diversified based upon a target portfolio mix approved and adjusted from time to time by the Foundation's Investment Committee which will assist in achieving operating goals while minimizing exposure to risk. The portfolio mix is reviewed not less than quarterly and performance is measured against relevant indices.

To satisfy its long-term return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**Endowment spending policy:** For the years ended December 31, 2020 and 2019, The Foundation distributed a payout of 4.25% and 4.5%, respectively, of the trailing 12 quarters' balance for all funds with a balance that is equal to or greater than their historic balance, and 3% of the trailing 12 quarters for all funds with a balance that is less than their historic balance.

## COMMUNITY FOUNDATION FOR MONTEREY COUNTY

Notes to Consolidated Financial Statements  
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### NOTE 12. ENDOWMENT DISCLOSURES (Continued)

**Funds with deficiencies:** From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level required by the donor or law, or the historical value of endowment gifts as a result of unfavorable market fluctuations. As of December 31, 2020, funds with original gift values of \$142,963, fair values of \$48,135, and deficiencies of \$94,828 were reported in net assets with donor restrictions. As of December 31, 2019, funds with original gift values of \$142,963, fair values of \$40,298, and deficiencies of \$102,665 were reported in net assets with donor restrictions.

During the years ended December 31, 2020 and 2019, endowment net asset activity was as follows:

	<u>With Donor Restrictions</u>
<b>Endowment net assets, December 31, 2018</b>	<b>\$ 141,189,002</b>
Investment income (dividends and interest)	4,848,723
Net realized and unrealized gains	<u>16,625,481</u>
Total investment income	21,474,204
Contributions	2,072,227
Loss on property held for sale	(1,359,401)
Miscellaneous income	48,530
Appropriated for spending	(5,125,665)
Administration fees	<u>(2,226,098)</u>
Net endowment activity	<u>14,883,797</u>
Transfers of income to (from) endowment, net	<u>5,523,759</u>
<b>Endowment net assets, December 31, 2019</b>	<b><u>161,596,558</u></b>
Investment income (dividends and interest)	4,599,398
Net realized and unrealized gains	<u>16,325,576</u>
Total investment income	20,924,974
Contributions	7,285,754
Appropriated for spending	(5,532,102)
Administration fees	<u>(2,241,956)</u>
Net endowment activity	<u>20,436,670</u>
Transfers of income to (from) endowment, net	<u>5,779,432</u>
<b>Endowment net assets, December 31, 2020</b>	<b><u>\$ 187,812,660</u></b>

## COMMUNITY FOUNDATION FOR MONTEREY COUNTY

Notes to Consolidated Financial Statements  
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### NOTE 13. MANAGEMENT FEES

The Foundation assesses a 0.5% to 2.00% annual management fee, depending on the size and type of fund, to each fund held within the Foundation.

In addition, the Foundation receives fees for the administration of charitable remainder trusts. The amount charged is two-tenths of one percent of the value of the trust assets, payable quarterly. These fees amounted to \$47,083 and \$50,057 for 2020 and 2019, respectively.

### NOTE 14. RETIREMENT PLAN

The Foundation maintains a 403(b) plan covering all employees. Eligible employees may make voluntary contributions subject to certain limits. The plan provides for a discretionary contribution from the Foundation which is determined each year by the Board of Directors. Participants are eligible for the Foundation contribution when hired and have a six month vesting period. Contributions by the Foundation charged to expense were \$106,506 and \$102,129 in 2020 and 2019, respectively.

### NOTE 15. LEASE

The Foundation leases office space in Salinas, California. The lease expired in December 2020 and is currently operating month-to-month. Rent expense amounted to \$50,407 and \$48,938 for the years ended December 31, 2020 and 2019, respectively.

### NOTE 16. INTERFUND BORROWING

In December 2011, the Foundation purchased the building they were renting in Monterey, California. The total purchase price for the building and land was \$1,545,115. The Foundation paid for the purchase using operating funds borrowed from their general endowment. The operating fund is paying the general endowment back on a monthly basis over 231 months, at an interest rate equal to 4% per annum. Monthly payments are \$7,500 and increase by 3% annually each January.

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### NOTE 16. INTERFUND BORROWING (Continued)

Future commitments for the operating fund repaying the general endowment as of December 31, 2020 are as follows:

2021	117,456
2022	120,984
2023	124,620
2024	128,364
2025	132,216
Thereafter	<u>761,674</u>
	1,385,314
Amount representing interest	<u>(261,875)</u>
	<u>\$ 1,123,439</u>

### NOTE 17. RELATED PARTY TRANSACTIONS

Approximately \$427,261 and \$113,923 in donations were received from members of the Board of Directors during the years ended December 31, 2020 and 2019, respectively.

### NOTE 18. LOANS RECEIVABLE

During the year ended December 31, 2019, the Foundation invested in two community impact loans totaling \$1,750,000. The loans require interest only payments over the term of the loans, with the principal due upon maturity. The loans bear interest at 2.5% and mature on various dates in 2023. Interest income on the loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding. During the years ended December 31, 2020 and 2019, interest income of \$57,237 and \$22,820 was recognized and received, respectively.

### NOTE 19. REFUNDABLE ADVANCE

The Foundation received \$411,402 in Payroll Protection Program (PPP) funding on April 21, 2020. The terms of the funding agreement indicate that the Foundation must utilize the proceeds to fund/offset qualifying expenses over a twenty-four-week period.

## **COMMUNITY FOUNDATION FOR MONTEREY COUNTY**

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### **NOTE 19. REFUNDABLE ADVANCE (Continued)**

The terms of the agreement specify that the Foundation must repay the principal of the loan back plus interest, which accrues at 1% semi-annually and matures in two years. The loan may be forgiven if the Foundation fulfills the agreed to terms. The Foundation's management believes they have met the terms of forgiveness and therefore has recorded the funding as a refundable advance and will recognize the full amount of the PPP funding as a contribution if forgiven by the lender. Subsequent to year end the loan was forgiven in full and the contribution was recognized.

### **NOTE 20. KING FOUNDATION**

In 2011, the Foundation (CFMC) was named successor owner of assets held by the Dan and Lillian King Foundation, which was created through Mrs. King's estate. Mrs. King's written intent was to have the King Foundation's assets transfer to CFMC once the initially named chair was no longer serving. In 2013, the King Foundation's Board disputed this interpretation, and hired counsel to defend their position. On September 14, 2016, a judge ruled in favor of CFMC, which the King Foundation appealed. On November 8, 2017, CFMC and the Dan and Lillian King Foundation entered into a settlement agreement. Through the settlement agreement, the King Foundation dropped its appeal, and agreed that CFMC is the successor owner of the assets once the founding chair of the board of the King Foundation ceases to serve in this position.

### **NOTE 21. SUBSEQUENT EVENTS**

Management has evaluated its December 31, 2020 and 2019 financial statements for subsequent events through April 27, 2021, the date of issuance of the financial statements. The Foundation is not aware of any additional subsequent events that would require recognition or disclosure in the financial statements.